

2006-2007 PERFORMANCE PLAN – PORTFOLIO MANAGER, DOMESTIC INVESTMENT RESEARCH (Zahorak)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
40%	CalPERS Internally Managed Corporate Bonds	Net of Fees, excess return in basis points relative to: Internally Managed Corporate Bond Portfolio – CalPERS Corp X Sov {SN5KA1 – CALCOXS2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5
30%	CalPERS Domestic Fixed Income (FI), Internal	Net of Fees, excess return in basis points relative to: Domestic Fixed Income (FI), Internal—CalPERS Custom LEH LPF {SW4KA1 – CALCCLP2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5
5%	CalPERS Opportunistic Program	Net of Fees, revenue generated from opportunistic programs	<\$115 MM = 0 \$135 MM = 1.0 \$145 MM = 1.5
5%	High Yield External Managers	Net of fees, Excess return in basis points relative to: Aggregate of the external High Yield Managers – CalPERS High Yield Cash Pay {SWXCA1-CALHYCP2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5

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Quantitative Performance Measures (continued)

Weight	Factor	Performance Measure	Incentive Schedule
5%	Affiliate Credit	Net of Fees, excess return in basis points relative to: Affiliate Credit – CalPERS Corp X Sov {SK88 – CALCOXS2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5
85%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	Demonstrate leadership within CalPERS and in the external investment community. Dimensions include leadership: <ul style="list-style-type: none"> • Within Investment Group • Trustees • CalPERS • External Investment Community 	From Schedule
15%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Supervisor's Approval: Original signed by Russell Read

Date: August 1, 2006